

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING
2016.07.21**

ITEM A-F (60-2016)

**BRAKPAN BUS COMPANY (BBC): QUARTERLY SDBIP REPORT: QUARTER 4
OF THE 2015/2016 FINANCIAL YEAR**

PURPOSE

To report to Council on the Financial and Performance Results of BBC for the 4th quarter of the 2015/2016 financial year as required by Section 52(d) of the Municipal Finance Management Act and more detailed in the Budget and Reporting Regulations.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Financial Reporting

BACKGROUND

Section 52 (d) and 71 of the MFMA and in terms of Section 28 of the Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" necessitates that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

"The mayor of a municipality-

52(d) must, within 30 days of the end of each quarter, submit a report to Council on the implementation of the budget and the financial state of the municipality;"

In compliance with section 52(d) relating to the quarterly reporting period ended 30th June 2016, the 30 days limit expires on **31st July 2016**.

Further, Section 31(1) of the Government Gazette No 32141 of 17 April 2009 prescribes the following:

"31.(1) The mayor's quarterly report on the implementation of the budget and financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- (a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and*

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- (b) *consistent with the monthly budget statement for September, December, March and June as applicable; and*
- (c) *Submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council."*

EXECUTIVE SUMMARY

The **Net Operating Income** for the three (3) months ended 30th June 2016 is 11 % (R 926 888) less than what has been budgeted for. The Operating Revenue budgeted for the three (3) months is R 8 570 037 whilst the actual results yielded an income of R 7 643 148.

The Net Operating income for the year ended 30th June 2016 was budgeted at R33 708 380 whilst the actual realised is R 31 228 961 which is 8% (R 2 479 419) below the twelve (12) months budget. Reason being 1 792 trips that did not operate due to the turnaround time at the workshop in repairing the buses, and also the incorrect replacement of buses by EMM, which results in the Entity not having stand by buses.

The **Net Operating Expenditure** for the three (3) months ended 30th June 2016 was budgeted at R 8 102 175, whilst the actual expenditure realised is R8 733 546. Actual of the three (3) months is 8% (R 631 370) above the budget.

The Net Operating Expenditure for the year ended 30th June 2016 was budgeted at R 33 656 864. Whilst the actual expenditure realised is R30 083 558. This is 11% (R 3 573 306) below the budget. This is due to trips that did not operate because of shortage of buses, and compounded by the incorrect replacement of buses by EMM, which results in the Entity not having stand by buses.

The **Capital Expenditure** for the three (3) months ended 30th June 2016 was budgeted at R15 688, whilst actual realised is R 17 127. Actual of the three (3) months is 9% above budget.

Regarding **Cash and Investment Position**, cash available is R. 9 776 955.

DISCUSSION

Financial Performance of Operating Revenue

Background information

The revenue performance for the three (3) months, ended 30th June 2016 is reflected in the table below. The following information is provided:

- Total Budget for the year
- Budget for the three Months ended 30th June 2016
- Actual revenue for the three months ended 30th June 2016.
- Percentage variance between budgeted revenue and actual revenue.
- Budget for the year to date ended 30th June 2016.
- Actual revenue for the year to date ended 30th June 2016

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- Annual projection
- Percentage variance between full year budget and year to date actual expenditure.

BRAKPAN BUS COMPANY									
BUDGET VS ACTUAL									
	Full Year Budget	R	Budget 2015/2016 Quarter 4	Actual 2015/2016 Quarter 4 2016	Variance Quarter 4 2016	YearTD budget	YearTD Actual	YTD variance	YTD variance
Subtotal - external investments	120,000		30,000	153,763.00	413%	120,000	299,174	179,174	60%
Subtotal-Subsidy	12,469,183		3,179,642	3,245,988.96	2%	12,469,183	12,227,637	(241,546)	-2%
EMM Grants	5,000,000		1,250,000	1,250,000	0%	5,000,000	5,000,000	0	0%
Other revenue	16,119,197		4,110,395	2,993,396	-27%	16,119,197	13,702,150	(2,417,047)	-18%
	33,708,380		8,570,037	7,643,148	-11%	33,708,380	31,228,961	(2,479,419)	-8%

Analysis of Performance

The **Net Operating Income** for the three (3) months ended 30th June 2016 is 11% below budget. For the past three (3) months, 658 trips of normal/ dedicated routes did not operate due to the turnaround time of buses at the workshop. As a result budget was not met. Negotiations with fleet department are in progress and the service level agreement (SLA) is in a draft format.

The Entity is in the process of buying four (4) buses with conditional grant from DoRT. However the Entity will have to top up the conditional grant to be able to purchase at least four (4) buses.

Financial Performance of Operating Expenditure

Background information

The table below reflects operating expenditure performance for the three (3) months ended 30th June 2016. The following information is provided:

- Total Budget for the year
- Budget for the three months ended 30th June 2016.
- Actual expenditure for three months ended 30th June 2016.
- Percentage variance between budgeted revenue and actual revenue.
- Budget for the year to date ended 30th June 2016
- Actual expenditure for the year to date ended 30th June 2016.
- Annual projection
- Percentage variance between full year budget and year to date actual expenditure.

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BRAKPAN BUS COMPANY BUDGET VS ACTUAL								
	Full Year Budget R	Budget 2015/2016 Quarter 4 2016	Actual 2015/2016 Quarter 4 2016	Variance Quarter 4 2016	YearTD budget	YearTD Actual	YTD variance	YTD variance
Subtotal:Remuneration to employees	14,656,992	3,664,248	3,934,822	-7%	14,656,992	13,523,571	1,133,421	8%
Subtotal:Remuneration to directors	2,813,973	703,493	800,045	-14%	2,813,973	2,818,093	-4,120	0%
Subtotal:Depreciation and ammortisation	1,699,034	424,758	440,764	-4%	1,699,034	1,747,640	-48,606	-3%
Subtotal:finance charges	187,766	15,647	2,594,85	0%	187,766	110,817	77,149	41%
Other expenses	14,299,099	3,294,028	3,555,320	-8%	14,299,099	11,883,636	2,415,463	17%
Total expenditure	33,656,864	8,102,175	8,733,546	-8%	33,656,864	30,083,558	3,573,306	11%

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Analysis of Performance

The **Net Operating Expenditure** for the three (3) months ending 30th June 2016 was 8% (R 631 370) more than the budget which is R8 102 175, whilst the actual expenditure realised is R 8 733 546.

- Most of the expenditure above budget is that of fuel consumption that was not yet billed.

Capital program performance Background information

The table below reflects capital expenditure performance for the first three (3) months ended 30th June 2016. The following information is provided:

- Total Budget for the year
- Budget for the three months ended 30th June 2016.
- Actual expenditure for three months ended 30th June 2016.
- Percentage variance between budgeted revenue and actual revenue.
- Budget for the year to date ended 30th June 2016
- Actual expenditure for the year to date ended 30th June 2016
- Annual projection
- Percentage variance between full year budget and year to date actual expenditure.

Brakpan Bus Company										
Budget VS Actual 2015/2016										
	Full year Budget R	Budget 2015/2016 Quarter 4 2016	Actual 2015/2016 Quarter 4 2016	Variance Quarter 4 2016	YTD Budget	YTD Actual	YTD Variance	Annual projection R	Percentage expected at year end	
Contribution to capital budget	320,000	15,688	17,127	-9%	320,000	321,159	0%	320,000	100%	

The **Capital Expenditure** for the three (3) months is R 17 127, whilst the budget was R15 688, which is 9% above budget and the year to date budget is R320 000, whilst actual year to date is R 321 159.

Debtors Analysis

The R10 000 000 is for the approved grant by EMM, that the entity has recognise as a revenue which will be transferred to the entity's account by the Shareholder. Of which R5 000 000 is for the previous financial year.

The debtors' age analysis at the end of the reporting period, 30th June 2016, is as follows:

Prepared by: Brakpan Bus Company (SOC) Ltd							
Customer Age Analysis for Monthly Customers as at 30/06/2016							
Name	120+ Days	90 Days	60 Days	30 Days	Current	Total Due	
EMM001-EKURHULENI METROPOLITAN MUNICIPALITY-Grant	8,333,333	416,667	416,667	416,667	416,667	10,000,000	
EMM001-EKURHULENI METROPOLITAN MUNICIPALITY	4,587.01					4,587	
EMP001-BBC EMPLOYEES	2,625		1,000	-	0	3,625	
GDT001-GAUTENG DEPARTMENT TRANSPORT	-				1,068,688	1,068,688	
Totals :	8,340,545	416,667	417,667	416,667	1,485,355	11,076,901	

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Creditors Analysis

EMM is the only creditor in the BBC age analysis. The outstanding amount is now sitting at R21 million, this is due to financial crisis that BBC finds itself in currently. The bigger percentage of this money is for diesel suppliers and services maintenance.

A request to write off the R7.7 million has been submitted to the shareholders and it was approved with conditions attached, stipulating that it will be written off as soon as the set conditions are met. The balance thereof, will be paid to the Shareholders.

R14.6 Million is for the previous two financial years.

All other invoices are paid within 30 days

The creditors' age analysis at the end of the reporting period, 30th June 2016, is as follows:

Prepared by: Brakpan Bus Company (SOC) Ltd						
Supplier Age Analysis as at 30/06/2016						
Name	120+ Days	90 Days	60 Days	30 Days	Current	Total Due
EM0001-Ekurhuleni Metropolitan Municipality	16,671,666	15,250	305,587	468,042	3,544,309	21,004,854
TOTAL :	16,671,666	15,250	305,587	468,042	3,544,309	21,004,854

Bank Balances

BBC shows a decrease in June in compare with previous quarter.

BRAKPAN BUS COMPANY			
Monthly Bank balances			
Cash balances	31-Dec-2015	31-Mar-2016	30-Jun-2016
Call Account	3,067,239	3,120,724	8,641,175
Cheque Account	1,251,046	7,078,525	1,126,819
Petty cash/floate	8,760	8,760	8,960
Total	4,327,045	10,208,009	9,776,955

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- Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June									
Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Property rates							-		
Property rates - penalties & collection charges							-		
Service charges - electricity revenue							-		
Service charges - water revenue							-		
Service charges - sanitation revenue							-		
Service charges - refuse revenue							-		
Service charges - other							-		
Rental of facilities and equipment							-		
Interest earned - external investments	58,339	120,000		52,346	299,174	120,000	179,174	149%	120,000
Interest earned - outstanding debtors							-		
Dividends received							-		
Fines							-		
Licences and permits							-		
Agency services							-		
Transfers recognised - operational							-		
Other revenue	28,046,299	33,588,380		2,370,479	30,884,278	33,588,380	(2,704,102)	-8%	33,588,380
Gains on disposal of PPE					45,509		45,509	#DIV/0!	
Total Revenue (excluding capital transfers and contributions)	28,104,638	33,708,380	-	2,422,825	31,228,961	33,708,380	(2,479,419)	-7%	33,708,380
Expenditure By Type									
Employee related costs	11,760,900	14,656,992		1,590,887	13,523,571	14,656,992	(1,133,421)	-8%	14,656,992
Remuneration of Directors	1,135,579	2,813,973		261,682	2,818,093	2,813,973	4,120	0%	2,813,973
Debt impairment							-		
Depreciation & asset impairment	1,689,386	1,699,034		147,157	1,699,034	1,699,034	(0)	0%	1,699,034
Finance charges	359,580	187,766			110,617	187,766	(77,149)	-41%	187,766
Bulk purchases							-		
Other materials	1,805,274	1,694,216		203,810	1,619,846	1,694,216	(74,370)	-4%	1,694,216
Contracted services							-		
Transfers and grants							-		
Other expenditure	9,929,400	12,604,884		1,311,581	10,312,396	12,604,884	(2,292,488)	-18%	12,604,884
Loss on disposal of PPE							-		
Total Expenditure	26,680,119	33,656,865	-	3,515,116	30,083,558	33,656,865	(3,573,307)	-11%	33,656,865
Surplus/(Deficit)	1,424,519	51,515	-	(1,092,291)	1,145,403	51,515	1,093,888	2123%	51,515
Transfers recognised - capital							-		
Contributions recognised - capital							-		
Contributed assets							-		
Surplus/(Deficit) before taxation	1,424,519	51,515	-	(1,092,291)	1,145,403	51,515	1,093,888	2123%	51,515
Taxation							-		
Surplus/(Deficit) for the year	1,424,519	51,515	-	(1,092,291)	1,145,403	51,515	1,093,888		51,515

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- Table F4 Monthly Budget Statement - Financial Position - M12 June					
Vote Description	2014/15	Current Year 2015/16			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash	4,013,672	976,885		9,776,955	976,885
Call investment deposits					
Consumer debtors	6,088,635	974,500		11,068,389	974,500
Other debtors					
Current portion of long-term receivables					
Inventory					
Total current assets	10,102,307	1,951,385	-	20,845,344	1,951,385
Non current assets					
Long-term receivables	4,422,820	459,918		6,909,390	459,918
Investments					
Investment property					
Property, plant and equipment	8,958,437	6,825,254		7,563,368	6,825,254
Agricultural					
Biological					
Intangible					
Other non-current assets					
Total non current assets	13,381,257	7,285,172	-	14,472,758	7,285,172
TOTAL ASSETS	23,483,564	9,236,557	-	35,318,102	9,236,557
LIABILITIES					
Current liabilities					
Conditional grant					
Borrowing	2,912,148	2,912,147		5,388,244	2,912,147
Consumer deposits				176,099	
Trade and other payables	16,078,065	1,236,395		21,100,495	1,236,395
Provisions	1,318,721	1,642,565		1,846,664	1,642,565
Total current liabilities	20,308,934	5,791,107	-	28,511,502	5,791,107
Non current liabilities					
Borrowing					
Provisions	4,701	1,904,626		2,380,784	1,904,626
Total non current liabilities	4,701	1,904,626	-	2,380,784	1,904,626
TOTAL LIABILITIES	20,313,635	7,695,733	-	30,892,286	7,695,733
NET ASSETS	3,169,929	1,540,824	-	4,425,816	1,540,824
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	3,169,923	1,540,824		4,425,808	1,540,824
Reserves					
Share capital	6	6		6	6
TOTAL COMMUNITY WEALTH/EQUITY	3,169,929	1,540,830	-	4,425,814	1,540,830

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- Table F5 Monthly Budget Statement - Cash Flows - M12 June									
Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates, penalties & collection charges							-		
Service charges							-		
Other revenue	25,455,366	28,588,380		2,071,237	25,904,523	28,588,380	(2,683,857)	-9%	28,588,380
Government - operating		5,000,000				5,000,000	(5,000,000)	-100%	5,000,000
Government - capital					5,388,244		5,388,244	100%	
Interest	58,339	120,000		52,346	299,174	120,000	179,174	149%	120,000
Dividends							-		
Payments									
Suppliers and employees	(18,116,940)	(30,992,123)		(2,104,831)	(22,498,834)	(30,992,123)	8,493,289	-27%	(30,992,123)
Finance charges	(359,580)	(360,556)		-	(110,617)	(360,556)	249,939	-69%	(360,556)
Dividends paid							-		
Transfers and Grants							-		
NET CASH FROM/(USED) OPERATING ACTIVITIES	7,037,185	2,355,701	-	18,752	8,982,490	2,355,701	(10,859,667)	-461%	2,355,701
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	3,880				13,099		13,099	#DIV/0!	
Decrease (Increase) in non-current debtors							-		
Decrease (increase) other non-current receivables							-		
Decrease (increase) in non-current investments							-		
Payments									
Capital assets	(333,905)	(320,000)			(320,160)	(320,000)	(160)	0%	(320,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(330,025)	(320,000)	-	-	(307,061)	(320,000)	13,259	-4%	(320,000)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans							-		
Borrowing long term/refinancing							-		
Increase (decrease) in consumer deposits							-		
Payments									
Repayment of borrowing	(3,261,784)	(2,912,147)			(2,912,148)	(2,912,147)	(1)	0%	(2,912,147)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(3,261,784)	(2,912,147)	-	-	(2,912,148)	(2,912,147)	1	0%	(2,912,147)
NET INCREASE/ (DECREASE) IN CASH HELD	3,445,376	(876,446)	-	18,752	5,763,281	(876,446)	6,639,727	-758%	(876,446)
NET INCREASE/ (DECREASE) IN CASH HELD	3,445,376	(876,446)	-	18,752	5,763,281	(876,446)	6,639,727	-758%	(876,446)
Cash/cash equivalents at the year begin:	4,013,203	4,013,203	4,013,203	9,758,203	4,013,673		4,013,673		4,013,203
Cash/cash equivalents at the year end:	7,458,579	3,136,757	4,013,203	9,776,955	9,776,954	(876,446)	10,653,400	-1216%	3,136,757

Conclusion

The overall performance across majority of the entity in quarter 4 is within the budget.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

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LEGAL IMPLICATIONS

The legal section has not been approached for comments.

COMMUNICATION IMPLICATION

The contents of the report must be communicated to National and Provincial Treasury as well as the Auditor General. This will be done by the Finance Department of parent municipality.

RECOMMENDATION

1. **That** the report on the Financial and Performance Results of BBC for the 4th quarter of the 2015/2016 financial year as required by Section 52(d) of the Municipal Finance Management Act **BE NOTED**.
2. **That**, in compliance with Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" the statement reflecting the interim financial status for the first quarter ending 30 September 2015 **BE SUBMITTED** by the Accounting Officer to the Executive Mayor.
3. **That**, in compliance with, Section 52(d) and Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" the financial results regarding the operating and capital budgets for the 4th quarter of the 2015/16 financial year, and supporting documents as required by National Treasury (Schedule C) as at 30 September 2015 **IS SUBMITTED**.
4. **That** in order to comply with Section 31(1) of the Government Gazette No 32141 of 17 April 2009 this report **BE SUBMITTED** to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the Council, in both a Council approved document and in electronic format.